

M-1, Part I, Chapter 35, has been rescinded by VHA Handbook 1660.2, dated 8/2/97.

Department of Veterans Affairs
Veterans Health Administration
Washington, DC 20420

M-1, Part I
Chapter 35

July 27, 1993

1. Transmitted is a new chapter to Department of Veterans Affairs, Veterans Health Administration Manual M-1, "Operations," Part I, "Medical Administration Activities," Chapter 35, "Joint Ownership of Medical Equipment."

2. The principal purpose is to establish objectives, policies, and guidelines for acquiring medical equipment to be jointly owned by VA (Department of Veterans Affairs) and community health care facilities, medical schools, and research centers. This includes:

- a. Paragraph 35.01: Defines purpose of program;
- b. Paragraph 35.02: Cites legislative authority;
- c. Paragraph 35.03: States objectives of the program;
- d. Paragraph 35.04: Defines VA policy regarding joint ownership of equipment;
- e. Paragraph 35.05: Describes joint ownership of medical informatics and PACs (Picture Archiving and Communication Systems);
- f. Paragraph 35.06: Discusses funding availability;
- g. Paragraph 35.07: Describes sale or transfer of equipment;
- h. Paragraph 35.08: Defines responsibilities of officials/facilities/VA Central Office;
- i. Paragraph 35.09: Provides the review and approval process; and
- j. Paragraph 35.10: Specifies the reporting requirements.

3. Filing Instructions

Remove pages

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Insert pages

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35A-1 through 35C-1

4. RESCISSIONS: None.

S/ by Lydia Mavridis for
James W. Holsinger, Jr., M.D.
Under Secretary for Health

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FD

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CHAPTER 35. JOINT OWNERSHIP OF MEDICAL EQUIPMENT

35.01 PURPOSE

a. The purpose, of this chapter is to establish objectives, policies, and guidelines for acquiring medical equipment to be jointly owned by VA (Department of Veterans Affairs) and community health care facilities, medical schools, and research centers, including DOD (Department of Defense) and Indian Health Service. (The term "research center is defined in 38 U.S.C. (United States Code) Section 8152).

b. The purpose of this program is to:

- (1) Promote joint ownership and use of medical equipment;
- (2) Promote sharing between VA and other community providers;
- (3) Improve the access and quality of care provided veterans; and
- (4) Optimize cost avoidance and cost efficiencies for the Federal government.

35.02 AUTHORITY

This chapter implements Section 103 of Public Law 102-405 (codified in 38 U.S.C. Sections 8157 and 8158).

35.03 OBJECTIVES

The objectives of the Joint Ownership of Medical Equipment Programs are to:

a. Expand the range of health care services available to veterans and improve the quality of medical services provided.

b. Ensure that the medical equipment purchased under this program serves the clinical needs of veterans and is consistent with the medical mission of the VA medical facility.

c. Ensure appropriate distribution of medical equipment within the VA system.

d. Ensure and promote the most efficient utilization of federal and community health care resources before additional resources are provided.

e. Reduce and contain health care costs within VA.

35.04 POLICY

It is VA policy that:

a. The proposed equipment must be related to and consistent with the VA medical facility strategic plan, medical mission of the medical facility and the VHA (Veterans Health Administration) strategic plan.

b. The proposed equipment should not duplicate resources that might be available at less cost under a sharing agreement at any other community health care facility or could be appropriately accomplished at a nearby VA medical center. This shall include any approved/planned medical equipment ownership under any other VA or community facility program.

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NOTE: New lithotripters and PET (Positron Emission Tomography) will not be considered at this time for funding under this program. Upgrades for lithotripters and PETs previously purchased under this program will be considered on a case by case basis.

c. The proposed equipment must be approved for clinical use by the Food and Drug Administration as a proven and accepted medical technology.

d. The equipment may be installed at the VA health care facility, or a partner's site. It must be located so as to be easily accessible to both partners by conventional means of transportation. Title to the equipment will be jointly held by each sharing partner.

e. VA will purchase the equipment in accordance with VAARS (VA Acquisition Regulations), and FARs (Federal Acquisition Regulations).

f. Where economically feasible, equipment purchased under this program may be upgraded and transferred to locations that have appropriate volumes and requirements, subject to agreement of both owners.

g. When excess VA equipment time develops, VA may permit non-VA use of the equipment by negotiating a sharing agreement with the approved partner (s) or another health care facility. The sharing agreement shall specify a charge for use of the equipment. The charge shall be based on commercial practices. The negotiated charge for excess VA space or equipment need not be limited to the recovery of cost and may produce a net revenue to the Government (OMB Circular A-25, Sept. 1959).

35.05 MEDICAL INFORMATICS AND PACS (PICTURE ARCHIEVING AND COMMUNICATION SYSTEMS)

Proposals for joint ownership of medical informatics and PACS will be considered.

a. Medical information equipment must have direct patient applications. Examples of medical informatics include satellites and data links for point-of-care expert systems and remote operation for diagnostic information including laboratory, X-rays, etc.

b. Pharmaceuticals will not be considered medical equipment under this program.

35.06 FUNDING

a. Funding under this program will be available only for the purchase of equipment costing in excess of \$200,000. Upgrades and replacement to equipment purchased under this program will also be considered if the cost exceeds \$100,000. These dollar thresholds may be waived, in very limited cases, by the Medical Sharing Office, in consultation with the Office of Clinical

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Affairs, in cases where innovative and emerging equipment is involved and in cases of rural and medically underserved areas.

b. Funding for this program will be available on August 1 of every year until September 30 of the following year. VA may pay up to 50 percent of the equipment cost, including installation and first year maintenance, but not site preparation. This program will, in FY 1994, be aligned with the VA planning and budget cycle to allow consideration of other funding for construction and staffing needs.

c. The sharing partner's share of the equipment purchase price shall be provided to VA Central Office through the VA medical center. VA will place the sharing partner's

share in an escrow account and invested in government-backed securities. Accrued interest on the escrow account will be returned to the sharing partner in accordance with (See Par. 35.05).

35.07 SALE OR TRANSFER OF TITLE

a. Subject to the approval of all parties, including VA Central Office and the provisions of 38 U.S.C Section 8157 (c), VA may purchase the sharing institution's share of the equipment or sell the VA share of the purchased equipment to the sharing institution (s).

b. The conditions for, sale and transfer of title include the following:

(1) Transfer to sharing partner if VA workload on the equipment significantly decreases.

(2) Transfer to sharing partner if the VA medical center is closed.

(3) Transfer to sharing partner if a change in the goals or mission of the VA medical center is implemented.

(4) Transfer to VA if the sharing partner enters bankruptcy.

(5) Transfer to sharing partner if sharing partner workload on the equipment increases significantly. VA must determine that transfer would be justified by compelling clinical considerations or the economic interest of VA, and the sharing partner wants to buy VA share at one-half the depreciated amount, and without loss of access to VA.

c. VA will not seek partner's share if equipment is in partner's site, if equipment must be moved for VA to use it, and cost of moving the equipment to a new site and the cost of preparing that new site are greater than the depreciated value of the equipment.

35.08 RESPONSIBILITIES

a. The Associate Deputy Chief Medical Director for Clinical Programs will appoint a Committee chaired by a physician from the Office of Clinical Programs to evaluate facility proposals for joint ownership of medical equipment. This committee shall include representatives from:

(1) Medical Sharing (116),

(2) Operations (13),

(3) Biomedical Engineering (138),

(4) Resource Management (17),

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- (5) Health Services Research and Development (12B),
- (6) Other VHA clinical offices,
- (7) Office of General Counsel (02), and
- (8) Office of Acquisition and Material Management (90).

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b. The Joint Ownership of Medical Equipment Committee shall:

(1) Review all facility proposals for Joint Ownership of medical equipment and ensure that VA facilities and the proposed sharing partner have the clinical capacity to utilize the equipment proposed for joint ownership.

(2) Rank order all proposals and provide the Under Secretary for Health a list of proposals for funding.

(3) Serve as the primary source of recommendations for the Under Secretary of Health regarding the relocation or upgrading of medical equipment purchased under this program.

c. The Medical Sharing Office shall:

(1) Develop policies and procedures and conduct overall program management for the VA.

(2) Issue guidance for facility proposals and ensure full dissemination of that guidance to appropriate organizational elements and medical treatment facilities

(3) Provide technical assistance for development and implementation of projects involving the joint ownership of medical equipment between VA medical facilities and other community health care facilities.

(4) Develop program parameters for measuring and evaluating the activity, workload, expenditures and cost benefits resulting from the joint ownership of medical equipment.

(5) Review program guidance on an annual basis and revise based on program evaluation.

(6) Coordinate the review of joint ownership proposals, correspondence preparation, and Interpretation of VHA policy on the joint ownership of medical equipment.

(7) Review existing joint ownership programs annually.

(8) Initiate program evaluations, with the assistance of HSR&D and dependent on funding.

d. The Office of the Associate Chief Medical Director for Resource Management shall manage the VA escrow account authorized by 38 U.S.C. 8157.

e. HSR&D, VA Central Office will provide liaison assistance with field HSR&D staff for cost accounting and program evaluation.

f. VA medical facilities shall:

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- (1) Complete the information requested in Appendix 35A.
- (2) Prepare and submit a sharing agreement between the VA medical facility and the sharing partner for:
 - (a) The mutual use of the equipment,
 - (b) The provision of professional services,

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(c) Staffing cost, and

(d) A cost analysis including equipment and facility depreciation.

(3) Proposals for Joint Ownership of Medical Equipment shall be submitted through the COS (Chief of Staff) of the appropriate Regional Director's Office to the Medical Sharing Office.

(4) Applications must be received by the appropriate Regional COS by August 31, 1993, for funds available on September 15, 1993.

(5) Applications for funds available on August 1, 1994, and each year hereafter must be received in the appropriate Regional COS Office by March 1, 1994, and each year hereafter.

g. The Regional COS shall:

(1) Review the package and determine that the proposed equipment ownership is consistent with the facility mission and plan and with the VHA Strategic Plan.

(2) Verify the proposed workload and cost estimates.

(3) Provide comments on the history of the sharing relationship between the VA medical center and the proposed sharing partner.

(4) Rank on a scale of 1 to 10 (1 is the lowest) for other joint ownership's in the region.

(5) Rank on a scale of 1 to 10 (1 is the lowest) for all medical equipment needs in the region for the current fiscal year.

(6) The COS shall consult with the Regional Director as necessary.

(7) The COS shall complete and forward their review to the Medical Sharing Office within 5 workdays of receipt.

35.09 JOINT OWNERSHIP PROCESS

a. Facility proposals for 1993, including a sharing agreement shall be submitted to the appropriate Regional Director's Office by August 31. (Facility proposals for 1994 and each year thereafter shall be submitted by March 1.)

b. If the Regional COS determines that the proposal does not fit the facility mission and plan, the Regional COS may return the proposal to the facility as disapproved. If the Regional COS determines that the proposal is consistent with the facility mission and plan, the proposal will be forwarded to the Medical Sharing Office (166), with any comments.

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c. The Medical Sharing Office shall request a review of all sharing agreements involving the joint ownership of medical equipment in excess of \$200,000 from the Acquisition Policy and Review Service (95B). The Office of General Counsel and the appropriate clinical services will be requested to review all sharing agreements.

d. The Joint Ownership of Medical Equipment Committee, shall review all proposals submitted from the field, consider any recommended changes from the review of sharing

agreements and forward a list of proposals recommended for funding in rank order to the Under Secretary for Health, through the Medical Sharing office by September 1st of each year.

e. Facilities submitting proposals approved by the Under Secretary for Health will be notified by the Medical Sharing Office along with any required changes in the sharing agreements identified during the review process.

f. After the proposal is approved by the Under Secretary for Health, the sharing partner shall forward to the VA medical center their share of the equipment purchase price. NOTE: In 1993, the sharing partner's funds shall be received by January 4, 1994, to allow VA to bundle medical equipment purchase orders and attain the lowest cost available. In 1994, and every year thereafter, the sharing partners' funds shall be received by August 15. The sharing partner's funds will be deposited in an interest-bearing escrow account managed by VA and invested in Government backed securities.

g. After the equipment is purchased and installed, VA will reimburse the sharing institution in full for any accrued interest and funds in excess of the purchase, contract administration, and installation cost.

h. Joint Ownership Proposals for funds available on August 1, 1994, and each year thereafter, will be accepted beginning on March 15, 1994, and each year thereafter. Facilities approved for funding will be notified by the Medical Sharing Office by May 1, 1994, and every year thereafter. Funds from the Sharing Institution would be required on August 1, 1994, and each year thereafter. This time frame will better align the joint ownership program with the agency budget cycle and allow more consideration for VA construction funds required in some joint ownership projects. It will also allow more opportunities to bundle VA equipment procurement orders and increase economies of scale.

35.10 REPORTING REQUIREMENTS

a. One year after a VA proposal is approved by the Under Secretary for Health, the VA medical center Director shall provide the Medical Sharing Office with a status report that includes the following information:

- (1) The date the equipment was delivered and installed
- (2) Problems encountered during delivery and installation and how resolved.
- (3) Additional costs not included in the original proposal
- (4) If project is operational provide actual VA costs and workload for longest time period available.

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(5) Benefits of sharing relationship to date i.e., increased revenue, quality of care, patient satisfaction. NOTE: Include any newspaper or local news coverage.

b. After 1 year of operation, the VA medical center Director shall provide the Medical Sharing Office with a status report that includes the following information:

(1) Actual VA workload for 1 year.

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(2) Percent decrease/increase in actual VA workload over projected VA workload in original proposal and explanation for change.

(3) Actual VA costs for 1 year.

(4) Percent decrease/increase over projected VA costs in original proposal and explanation for change.

(5) How the sharing relationship has benefited veterans, the VA medical center, and the community after 1 year?

(6) Suggestions for making this program more attractive to VA and non-VA health care providers.

SAMPLE FORMAT FOR FACILITY PROPOSALS

1. Name and telephone number of the of VA (Department of Veterans Affairs) contact and the sharing partner contact person.
2. The proposed medical equipment for joint ownership and the estimated cost.
3. A brief narrative from the clinical staff explaining the medical value of the medical equipment proposed for ownership. This narrative should explain how the new medical equipment will be an improvement over the existing equipment at the VA medical facility and how the equipment will improve medical care for veterans.
4. A brief explanation of the degree of demand, support and dedication of the facility and area physicians for the proposed medical equipment.
 - a. This narrative shall identify:
 - (1) The primary users of the medical equipment,
 - (2) Other medical staff who may refer patients,
 - (3) Other sources of referral outside the VA medical facility or the sharing partner facility,
 - (4) Any incremental or spin off use by other ancillary departments.
 - b. This narrative should explain any credentialing requirements. Paragraph 3 and 4 should be the basis for the justification memo required in the sharing agreement.
6. A ROI (Return on Investment) analysis shall be included that demonstrates how the VA investment will be recovered.
 - a. The factors in the analysis should include the following:
 - (1) Reduction in patient stay;
 - (2) Time to perform test/procedure;
 - (3) Equipment to be replaced;
 - (4) Reduction in personnel;
 - (5) Cost of consumables/disposables;
 - (6) Energy costs;

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(7) Disposal costs of reagents or by products; and

(8) Construction costs.

b. This section should include a comparison of current costs from active sharing agreements that would be eliminated as a result of this joint ownership, or any other savings, such as travel costs to current referral sources.

7. A detailed listing of all VA and sharing partner expenditures associated with purchase, ownership and use of the equipment, including expenses after the first year of operation.

a. This should include:

- (1) Operating costs, including professional services;
- (2) Site preparation;
- (3) Training;
- (4) Security;
- (5) Maintenance;
- (5) Outside service supplies; and
- (6) Building construction outside contracts, etc.

b. This section should be the basis of Section B of the sharing agreement.

8. In cases of innovative and emerging equipment or cases with no history of contract treatment, justification must be provided to show how treatment costs will be reduced and how the clinical standard of care will be improved. For example, the equipment purchased could:

- a. Replace or upgrade other diagnostic tests or procedures,
- b. Reduce FTEE (Full-time Employee Equivalent),
- c. Provide veterans access to a service otherwise not available, and/or
- d. Reduce the need or length of inpatient care, etc.

9. A description of the "baseline" or status quo case, or what is currently being done. This description should include:

- a. Current workload;
- b. Future projections;
- c. How related functions are being performed, by whom, where, when and at what cost;
- d. How the current fee-per procedure demand for the equipment and related service being proposed;

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e. How the proposed equipment will impact the "baseline case" in terms of cost and service delivery;

f. Whether VA or the sharing partner provides staffing; and

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g. What priority this purchase has to the VA medical center in relation to any other equipment being considered for purchase.

10. A presentation of significant demographic trends in the hospital service area that the VA medical center considers most relevant to the equipment proposed for ownership and which will affect current and future utilization.

11. A presentation of any opportunity to sell excess equipment time to other health care facilities, should excess time develop.

12. Documentation that non-Federal sharing partner(s) have or will conform by the expected delivery date of the equipment, with all State requirements for Certificate of Need.

13. Does the Sharing Institution provide medical services to community employers or operate an approved HMO (Health Maintenance Organization) or PPO (Preferred Provider Organization). If so, provide the name of the plan and major employer (s) enrolled in the plan or under contract.

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JOINT OWNERSHIP OF MEDICAL EQUIPMENT
MEMORANDUM OF UNDERSTANDING

Between VA Medical Center _____
and (Sharing Institution) _____

This Memorandum of Understanding entered into by and between _____
_ and _____ to set forth the terms, conditions, and
understandings of the parties with respect to the purchase, installation and
use of a (insert type of equipment)

1. Transfer of Funds: Following approval by the Under Secretary for Health,
(insert sharing institution name) agrees to provide the VA (Department of
Veterans Affairs) medical center with x percent (at least 50 percent) of the
purchase and installation cost of a _____ (insert
type of equipment).

2. Deposit of Funds: VA will deposit these funds in an interest-bearing
escrow account managed by VA and invested in Government-backed securities.

3. Purchase Of Equipment: After receipt of the funds in accordance with
paragraph of this agreement. VA will purchase the equipment in compliance
with applicable requirements of Federal and VA acquisition regulations.

4. Reimbursement Of Remaining Funds In Escrow: The sharing partner will be
reimbursed by VA for interest accrued in the escrow account and any excess
funds remaining after the purchase and installation of the equipment by VA and
the sharing partner.

5. Joint Title: The VA and (Sharing Institution) _____ will hold joint
title for the medical equipment.

6. Location of Equipment: VA and _____ (sharing partner)
agree that the medical equipment to be purchased by VA shall be installed at
the (installation site of equipment) _____ .

7. Use of Equipment: VA shall be entitled to use the equipment x percent of
the time. NOTE: In this sentence, x shall equal the percentage share of the
purchase and installation cost of the equipment with VA contributes. The
_____ (sharing institution) shall be entitled to use the equipment x
percent of the time. (Note: In this sentence, x shall equal the percentage
share of the purchase and installation cost of the equipment which the partner

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contributes). The _____ (sharing partner) agrees not to use the equipment more than its allotted percentage of time unless it has agreed to pay VA for the use of the equipment for the additional time on accordance with a sharing agreement negotiated with the VAMC. The VAMC is required to negotiate this sharing agreement in compliance with the procedures set forth in M-1, Part I, Chapter 1, Section 1. Unless there is a sharing agreement in effect between the parties, VA employees do not have the authority to permit the sharing partner to use the equipment during the time allotted to VA.

8. Effective Date: This Memorandum of Understanding shall become effective on the date of the last signature.

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9. Monitoring Workload: VA and the _____ (sharing partner) agree to monitor use of the equipment with the following procedure: _____ (a brief explanation of the procedure to be used to monitor use of the equipment).

NOTE: One of the two following paragraphs on Certificate of Need must be included in each Memorandum of Understanding.

10. Certificate of Need: The _____ (sharing partner) has complied with all applicable State or local Government certificate of need requirements.

or

Certificate of Need: The _____ (sharing partner) will comply with all applicable State or local Government certificate of need requirements at least one month prior to _____ (the expected date of installation of the equipment). If the sharing partner fails to comply with all applicable State certificate of need requirements by that date, VA may take either of the following actions:

(a) VA may terminate equipment purchase contract with the manufacturer and return the partner's contribution minus the costs of terminating the contract;
or

(b) VA may choose to use the equipment for solely VA purchases by terminating the agreement and returning the partner's contribution plus interest.

11. Termination of the Agreement: Prior to the effective date of the equipment acquisition contract, either party may terminate this agreement with prior written notice to the other party. After the effective date of the equipment acquisition contract, either party may terminate this contract with prior written notice to the other party subject to the terminating party paying the costs of terminating the equipment acquisition contract.

12. Authority: VA has the authority to enter into this agreement under 38 U.S.C. (United States Code) Sections 8156 and 8157.

Signed this _____ Day of _____,
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(VA Medical Center Director)

Signed this _____ Day of _____,
1993

(Chief Executive Officer, Sharing Institution)

EVALUATION FACTORS FOR FACILITY PROPOSALS

Evaluation factors for facility proposals include the:

1. Ability to provide comprehensive services (e.g., will this service add to, or complete what is already available).
2. Affiliation with a strong program.
3. Outcome data and publications by the service provider.
4. Resource issues such as space, need for construction, existing staff, and distance between facilities.
5. Membership in necessary accrediting agency(ies).
6. Support from both the network and the Regional director.
7. Cost savings to the Federal government.
8. Outcome to a site visit.
9. Benefit to veterans and VA (Department of Veterans Affairs).
10. Adheres to the legal requirements of VA's authority (38 United States Code Sections 8157 and 8158) and the requirements stated in this chapter.